

PERAC AUDIT REPORT



Taunton

Contributory Retirement System



JAN. 1, 2010 - DEC. 31, 2012



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

April 4, 2014

The Public Employee Retirement Administration Commission has completed an examination of the Taunton Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2010 to December 31, 2012. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

We commend the Taunton Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners Martin J. Feeney and William J. Walsh who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2012	2011	2010
Net Assets Available For Benefits:			
Cash	\$18,004,368	\$5,089,728	\$4,102,520
Short Term Investments	624,319	0	0
Fixed Income Securities (at book value)	48,982,496	47,411,511	44,505,223
Equities	80,777,026	73,096,673	77,267,069
Pooled Domestic Equity Funds	17,899,857	15,431,306	15,369,636
Pooled International Equity Funds	25,563,552	23,567,502	27,228,487
Pooled Alternative Investment Funds	9,546,940	9,684,947	6,688,513
Pooled Real Estate Funds	20,043,745	16,245,891	13,119,376
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	350,348	351,213	296,341
Prepaid Expenses	2,084	1,985	0
Accounts Receivable	7,518,247	6,789,590	10,790,313
Accounts Payable	(11,286,979)	(667,066)	(1,844,016)
Total	\$218,026,003	\$197,003,279	\$197,523,461
Fund Balances:			
Annuity Savings Fund	\$61,424,053	\$58,891,513	\$56,047,776
Annuity Reserve Fund	17,266,221	17,219,460	16,983,898
Pension Fund	10,391,685	9,550,209	8,206,043
Military Service Fund	26,494	26,468	26,415
Expense Fund	0	0	0
Pension Reserve Fund	128,917,550	111,315,631	116,259,328
Total	\$218,026,003	\$197,003,279	\$197,523,461

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2010)	\$53,991,052	\$16,281,423	\$9,584,874	\$19,577	\$0	\$92,931,853	\$172,808,779
Receipts	5,461,390	494,478	14,001,325	6,837	1,593,771	23,337,637	44,895,438
Interfund Transfers	(2,737,240)	2,750,971	(3,570)	0	0	(10,161)	0
Disbursements	(667,426)	(2,542,973)	(15,376,586)	0	(1,593,771)	0	(20,180,757)
Ending Balance (2010)	56,047,776	16,983,898	8,206,043	26,415	0	116,259,328	197,523,461
Receipts	5,687,720	512,648	13,153,559	53	1,659,142	(734,350)	20,278,772
Interfund Transfers	(2,290,856)	2,276,582	4,223,623	0	0	(4,209,348)	0
Disbursements	(553,128)	(2,553,669)	(16,033,016)	0	(1,659,142)	0	(20,798,954)
Ending Balance (2011)	58,891,513	17,219,460	9,550,209	26,468	0	111,315,631	197,003,279
Receipts	5,359,166	514,627	13,861,707	26	1,781,075	21,049,692	42,566,293
Interfund Transfers	(2,225,526)	2,234,682	3,438,616	0	0	(3,447,772)	0
Disbursements	(601,100)	(2,702,547)	(16,458,847)	0	(1,781,075)	0	(21,543,569)
Ending Balance (2012)	<u>\$61,424,053</u>	<u>\$17,266,221</u>	<u>\$10,391,685</u>	<u>\$26,494</u>	<u>\$0</u>	<u>\$128,917,550</u>	<u>\$218,026,003</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2012	2011	2010
Annuity Savings Fund:			
Members Deductions	\$5,087,531	\$5,126,070	\$4,983,268
Transfers from Other Systems	143,307	304,189	109,786
Member Make Up Payments and Re-deposits	48,558	59,054	63,544
Member Payments from Rollovers	22,464	91,381	149,177
Investment Income Credited to Member Accounts	<u>57,305</u>	<u>107,027</u>	<u>155,615</u>
Sub Total	<u>5,359,166</u>	<u>5,687,720</u>	<u>5,461,390</u>
Annuity Reserve Fund:			
Recovery of Annuity from Reinstatement	4,321	0	0
Investment Income Credited to the Annuity Reserve Fund	<u>510,305</u>	<u>512,648</u>	<u>494,478</u>
Sub Total	<u>514,627</u>	<u>512,648</u>	<u>494,478</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	410,033	372,898	344,128
Pension Fund Appropriation	591,668	251,421	452,723
Settlement of Workers' Compensation Claims	12,834,834	12,529,240	13,188,674
Recovery of Pension from Reinstatement	6,000	0	15,800
	<u>19,172</u>	<u>0</u>	<u>0</u>
Sub Total	<u>13,861,707</u>	<u>13,153,559</u>	<u>14,001,325</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	6,778
Investment Income Credited to the Military Service Fund	<u>26</u>	<u>53</u>	<u>59</u>
Sub Total	<u>26</u>	<u>53</u>	<u>6,837</u>
Expense Fund:			
Investment Income Credited to the Expense Fund	<u>1,781,075</u>	<u>1,659,142</u>	<u>1,593,771</u>
Sub Total	<u>1,781,075</u>	<u>1,659,142</u>	<u>1,593,771</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	44,844	45,742	47,042
Interest Not Refunded	1,930	1,981	3,546
Miscellaneous Income	2,596	1,687	2,506
Excess Investment Income (Loss)	<u>21,000,323</u>	<u>(783,761)</u>	<u>23,284,542</u>
Sub Total	<u>21,049,692</u>	<u>(734,350)</u>	<u>23,337,637</u>
Total Receipts, Net	<u>\$42,566,293</u>	<u>\$20,278,772</u>	<u>\$44,895,438</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2012	2011	2010
Annuity Savings Fund:			
Refunds to Members	\$348,473	\$383,441	\$462,243
Transfers to Other Systems	<u>252,626</u>	<u>169,687</u>	<u>205,183</u>
Sub Total	<u>601,100</u>	<u>553,128</u>	<u>667,426</u>
Annuity Reserve Fund:			
Annuities Paid	2,659,453	2,531,532	2,366,163
Option B Refunds	<u>43,095</u>	<u>22,137</u>	<u>176,811</u>
Sub Total	<u>2,702,547</u>	<u>2,553,669</u>	<u>2,542,973</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	11,745,233	11,321,100	10,732,451
Survivorship Payments	810,808	792,776	792,862
Ordinary Disability Payments	221,400	216,821	212,541
Accidental Disability Payments	2,406,526	2,428,903	2,392,062
Accidental Death Payments	452,337	442,981	408,225
Section 101 Benefits	165,433	147,898	106,095
3 (8) (c) Reimbursements to Other Systems	315,631	305,819	326,388
State Reimbursable COLA's Paid	304,922	340,158	369,265
Chapter 389 Beneficiary Increase Paid	<u>36,559</u>	<u>36,559</u>	<u>36,699</u>
Sub Total	<u>16,458,847</u>	<u>16,033,016</u>	<u>15,376,586</u>
Expense Fund:			
Board Member Stipend	20,417	15,000	15,000
Salaries	144,404	124,186	121,239
Legal Expenses	61,420	42,717	66,077
Medical Expenses	172	136	0
Travel Expenses	15,279	13,601	7,563
Administrative Expenses	12,664	15,832	17,314
Professional Services	0	450	9,845
Actuarial Services	7,400	0	0
Education and Training	5,410	6,545	4,872
Furniture and Equipment	4,595	0	4,285
Management Fees	1,259,915	1,204,679	1,110,868
Custodial Fees	103,928	95,299	93,184
Consultant Fees	60,000	60,000	60,000
Rent Expenses	38,827	34,300	26,820
Service Contracts	34,625	34,768	45,516
Fiduciary Insurance	<u>12,017</u>	<u>11,631</u>	<u>11,188</u>
Sub Total	<u>1,781,075</u>	<u>1,659,142</u>	<u>1,593,771</u>
Total Disbursements	<u>\$21,543,569</u>	<u>\$20,798,954</u>	<u>\$20,180,757</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2012	2011	2010
Investment Income Received From:			
Cash	\$1,900	\$1,868	\$4,699
Short Term Investments	0	86	0
Fixed Income	2,043,101	2,064,379	2,220,824
Equities	1,405,956	1,131,708	1,017,487
Pooled or Mutual Funds	833,196	818,596	693,639
Commission Recapture	<u>35,331</u>	<u>40,633</u>	<u>31,708</u>
Total Investment Income	<u>4,319,483</u>	<u>4,057,270</u>	<u>3,968,357</u>
Plus:			
Realized Gains	6,552,855	3,561,156	5,079,157
Unrealized Gains	23,414,250	17,750,613	30,974,513
Interest Due and Accrued - Current Year	<u>350,348</u>	<u>351,213</u>	<u>296,341</u>
Sub Total	<u>30,317,452</u>	<u>21,662,982</u>	<u>36,350,011</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	(379,113)	(474,692)	(454,638)
Realized Loss	(2,424,306)	(5,245,799)	(5,254,609)
Unrealized Loss	(8,133,268)	(18,208,312)	(8,755,846)
Interest Due and Accrued - Prior Year	<u>(351,213)</u>	<u>(296,341)</u>	<u>(324,811)</u>
Sub Total	<u>(11,287,900)</u>	<u>(24,225,143)</u>	<u>(14,789,903)</u>
Net Investment Income	<u>23,349,035</u>	<u>1,495,109</u>	<u>25,528,465</u>
Income Required:			
Annuity Savings Fund	57,305	107,027	155,615
Annuity Reserve Fund	510,305	512,648	494,478
Military Service Fund	26	53	59
Expense Fund	<u>1,781,075</u>	<u>1,659,142</u>	<u>1,593,771</u>
Total Income Required	<u>2,348,712</u>	<u>2,278,870</u>	<u>2,243,923</u>
Net Investment Income	<u>23,349,035</u>	<u>1,495,109</u>	<u>25,528,465</u>
Less: Total Income Required	<u>2,348,712</u>	<u>2,278,870</u>	<u>2,243,923</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$21,000,323</u>	<u>(\$783,761)</u>	<u>\$23,284,542</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2012		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$18,004,368	8.1%
Short Term Investments	624,319	0.3%
Fixed Income Securities (at book value)	48,982,496	22.1%
Equities	80,777,026	36.5%
Pooled Domestic Equity Funds	17,899,857	8.1%
Pooled International Equity Funds	25,563,552	11.5%
Pooled Alternative Investment Funds	9,546,940	4.3%
Pooled Real Estate Funds	20,043,745	9.1%
PRIT Cash Fund	0	0.0%
PRIT Core Fund	0	0.0%
Grand Total	\$221,442,303	100.0%

For the year ending December 31, 2012, the rate of return for the investments of the Taunton Retirement System was 12.23%. For the five-year period ending December 31, 2012, the rate of return for the investments of the Taunton Retirement System averaged 3.41%. For the twenty-eight year period ending December 31, 2012, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Taunton Retirement System was 9.63%.

The composite rate of return for all retirement systems for the year ending December 31, 2012 was 13.84%. For the five-year period ending December 31, 2012, the composite rate of return for the investments of all retirement systems averaged 1.83%. For the twenty-eight year period ending December 31, 2012, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.27%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Taunton Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

November 17, 2010

16.08

In accordance with Investment Guideline 99-2, the Taunton Retirement Board is making a modest modification to its large cap equity index mandate with State Street Global Advisors. The Board is transferring assets from the SSgA Equity Index Plus Securities Lending Fund to the SSgA S&P 500 Flagship (non-lending) Fund. The funds have the same investment universe and the same benchmark. Unlike the previous fund, the new fund is a pure index fund (not actively managed) and does not engage in securities lending.

October 18, 2007

16.00

17.00

Notwithstanding the provisions of the Public Employee Retirement Administration Commission's regulations and M.G.L. c. 32, et seq., the Taunton Retirement Board may invest funds of the City of Taunton Retirement System (the "System") in the fund known as BlackRock Vesey Street IV (ERISA), L.P. and effective as of the date of the initial investment by the System of any of its assets in the Fund –

- I. while the System holds interest in the Fund, the General Partner may not be subject to the rules as established in 840 CMR 16.00 et seq. and 17.00 et seq. for so long as the Fund does not qualify as a "plan asset" as contemplated by the Employee Retirement Income Security Act of 1974 ("ERISA") and as recently amended by the Pension Protection Act of 2006. The Fund will not be considered a plan asset so long as less than 25% of the equity interest in the Fund is held by "benefit plan investors" as contemplated by ERISA and related amendments.

June 14, 2007

19.01(6)

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Taunton Contributory Retirement System (the "System") in the fund known as Fidelity Real Estate Growth Fund III, L.P. (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund --

- I. while the assets of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq., the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualifies as a "venture capital operating company" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder. As such, the limitations and restrictions of 840 CMR Sections 16.00 et seq. and 17.00 et seq. shall not apply.
2. the limitations and restrictions of 840 CMR Section 19.01(6) shall not apply to the Fund for the two-year period commencing on the date of the Fund's initial investment

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

March 13, 2007

17.03

The Taunton Retirement Board is authorized to invest in the Fidelity Real Estate Growth Fund III, now run under the umbrella of Pyramis Global Advisors Trust Company. The Board has been a satisfied investor in a predecessor Fidelity Real Estate Growth Fund, and the strategy and the portfolio management team are essentially the same. The Board has received over 100% of its original investment back from Fidelity (Pyramis) and is pursuing this investment in order to maintain its allocation to real estate. The manager has submitted the required regulatory documents.

February 14, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO U.S. Venture Partnership Fund IV, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

February 14, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

February 14, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO International Partnership Fund IV, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

February 14, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the “System”) in the fund known as the Institutional Retirement Trust (IRT) Equity Real Estate Securities Trust (the “Fund”), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), taking into account ERISA Section 408(b)(8) as well as other statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, Prohibited Transaction Class Exemption 91-38, and other available class exemptions.

February 13, 2007

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the “System”) in the fund known as INVESCO Core Real Estate USA, LLC (the “Fund”), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq., the System’s interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualified as a “venture capital operating company” within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

January 7, 2000

16.08

The Taunton Retirement Board may invest in Boston Millennia Partners II, L.P. The board is an investor in Boston Millennia Partners I and has submitted the required documentation in support of this request.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Taunton Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6 % after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$774.36 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$774.36 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. . Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Taunton Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

Creditable Service

April 10, 2013

Any individual who is an active member of the Taunton Retirement System ("System") as of the effective date of this regulation may purchase any past service rendered as a part-time, provisional, temporary, temporary provisional, seasonal or intermittent employee of the City of Taunton, or as an employee of any member unit of the System pursuant to M.G.L. c. 32, § 4(2)(c) **provided** that the position in which the member rendered the non-membership service has a part-time or full-time equivalent position that would qualify the incumbent of that position for membership in the System. For example, the position of crossing guard has neither a part-time or full-time equivalent which would warrant membership in the System because those employed in such a position, by definition, will never work twenty (20) or more hours per week and thus never qualify for membership in the System. Accordingly, members may not purchase past service rendered as a crossing guard. Conversely, an individual who renders temporary or part-time service as a custodian and subsequently becomes a member of the System by virtue of being permanently employed twenty (20) or more hours per week will qualify to purchase this service as the position of custodian has a full-time equivalent that would qualify the incumbent of that position for membership in the System. Creditable service shall be calculated based on the regulation in effect at the time the member actually purchases the service

May 28, 1998

- A. Credit will be granted on the basis of one (1) year credit for each year of service with the exception of seasonal employees who receive one (1) year credit for actual full-time service of no less than 7 months during any one calendar and elected officials are entitled to a full year of creditable service for the weeks served during his/her last calendar year as an elected official.
- B. Full-time employees will receive full credit except in instance where full-time employees also had part-time service. Part-time service will then be prorated as it relates to the full-time position.
- C. Part-time employees will receive full credit provided that they have not been a full-time/part-time employee as stated previously. An employee who has remained part-time constantly will receive the full credit and will be equitable with full-time employees. The deciding factor will be their earnings.
- D. Five-year maximum credit will be allowed to reserve or permanent-intermittent police officers regardless of whether they are appointed as permanent members of the Police department (s. 4(2)(b)) and only if they gain employment in a qualified position becoming eligible for membership.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

- E. Five-year maximum credit will be allowed to reserve firefighters regardless of whether they are appointed as permanent members of the Fire Department (s. 4(2)(b)) and only if they gain employment in a qualified position becoming eligible for membership.
- F. Five-year maximum credit will be allowed to permanent-intermittent firefighters only if they are later appointed as permanent members of the Fire Department (s. 4(2)(b)).

May 18, 1997

- Creditable Service for members who receive workers' compensation payments for partial incapacity and who simultaneously receive partial regular compensation shall be computed as follows:
- Creditable service = average hours per week of partial regular compensation divided by the member's normal hours per week of regular compensation.

AMENDED 5/28/98.

Membership

May 28, 1998

- A. Membership is mandatory for all full-time permanent employees.
- B. Employees employed 20 or more hours per week are allowed membership in the retirement system.
- C. Federal grant employees working at least 20 hours per week are considered members. Deductions are to be withheld from their salary as so long as said employees meet the eligibility requirements of the System.

Buy-Backs

August 2, 1999

All members who are eligible veterans may purchase military service under Chapter 71 of the Acts of 1996, in installments or in its entirety, up to the date of retirement..

May 28, 1998

Rules and Regulations

- I. Board -: Five (5) members as designated by M.G.L. Chapter 32.
- II. Staff-: Executive Director, Assistant Director.
- Salaries and benefits as determined by vote of the Board. Hiring as determined by vote of the Board.
- III. Meetings - Regular monthly meetings vary each month and are held in accordance with the open meeting law of the Commonwealth of Massachusetts.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Make up Payments/Redeposits

May 28, 1998

- A. Member may buy back CETA and EEA service with the City of Taunton provided that the employee gains employment in a qualified position becoming eligible for membership and provided that said service can be documented.
- B. Make-up payments are allowed for members who previously worked less than part-time and were ineligible for membership. Credit will be prorated as it relates to the current position. Credit will only be given for actual service with the exception of seasonal employees who can buyback up to one-year credit for service not less than seven months in a calendar year.
- C. The board, upon proper request and review, will determine how much creditable service, if any and make-up payments, if any, will be allowed for employment which is sporadic, temporary, and of a limited nature.

Disbursement of Funds

May 28, 1998

A. Disbursements shall be authorized by signatures of any two members of either our five-member board or the executive director or assistant director who is authorized to sign by the retirement board as per Chapter 32, s. 23(2).

Miscellaneous

May 28, 1998

- Accidental disability applicants must be present when their application is reviewed by the board unless a medical reason exists that prevents them from being present.
- Reserve or permanent-intermittent police officers and reserve, permanent-intermittent, or call-firefighters who are actually assigned to duty before being permanently appointed, may pay retirement deductions into the system (not to exceed five years).
- Investments shall be made in accordance with M.G.L. Chapter 32 and PERAC Regulations 840 CMR for waived systems as amended.

Election Rules

September 11, 1996

Approval of waiver of the ninety (90) day notice requirement for election of the elected member or the Taunton Retirement Board pursuant to 840 CMR 7.00 et. seq.

Travel Regulations

The Taunton Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website <http://www.mass.gov/perac/Taunton>.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Ann Marie Hebert, Chairperson

Appointed Member: Gill E. Enos

Elected Member: Peter H. Corr Term Expires: 12/31/16

Elected Member: Richard T. Avila Term Expires: 11/30/14

Appointed Member: A.Joan Ventura **Term Expires:** 2/24/15

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$50,000,000 Fiduciary Liability
Ex-officio Member:)	\$1,000,000 Fidelity (ERISA)
Elected Members:)	MACRS Master Policy
Appointed Members:)	Travelers Casualty & Surety Company, National Union Fire, State
Staff Employees:)	National Insurance Company

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants as of January 1, 2012.

The actuarial liability for active members was	\$163,952,153
The actuarial liability for retired and inactive members was	<u>175,054,711</u>
The total actuarial liability was	\$339,006,864
System assets as of that date were	<u>209,808,060</u>
The unfunded actuarial liability was	<u>\$129,198,804</u>
 The ratio of system's assets to total actuarial liability was	 61.9%
As of that date the total covered employee payroll was	\$55,614,435

The normal cost for employees on that date was 8.6% of payroll

The normal cost for the employer (including administrative expenses) was 5.8% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.0% per annum
 Rate of Salary Increase: 4.0% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2012	\$209,808,060	\$339,006,864	\$129,198,804	61.9%	\$55,614,435	232.3%
1/1/2010	\$197,520,054	\$293,303,727	\$95,783,673	67.3%	\$53,542,943	178.9%
1/1/2008	\$192,018,134	\$281,787,443	\$89,769,309	68.1%	\$51,021,751	175.9%
1/1/2006	\$159,373,967	\$239,916,299	\$80,542,332	66.4%	\$47,703,996	168.8%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Retirement in Past Years										
Superannuation	29	47	32	22	32	31	32	26	36	32
Ordinary Disability	0	3	0	0	2	1	1	0	0	0
Accidental Disability	2	5	7	8	3	3	1	2	2	1
Total Retirements	31	55	39	30	37	35	34	28	38	33
 Total Retirees, Beneficiaries and Survivors	676	712	729	737	743	748	758	760	774	779
 Total Active Members	1,102	1,102	1,142	1,148	1,150	1,188	1,181	1,142	1,112	1,087
Pension Payments										
Superannuation	\$6,564,745	\$7,136,961	\$7,950,869	\$8,434,366	\$8,810,350	\$9,206,232	\$10,236,727	\$10,732,451	\$11,321,100	\$11,745,233
Survivor/Beneficiary Payments	512,418	555,851	566,231	574,032	670,051	701,358	736,882	792,862	792,776	810,808
Ordinary Disability	140,840	144,597	157,959	186,813	202,653	223,535	230,187	212,541	216,821	221,400
Accidental Disability	1,593,773	1,691,134	1,692,748	2,145,905	2,052,563	2,308,496	2,346,114	2,392,062	2,428,903	2,406,526
Other	<u>1,198,050</u>	<u>1,167,615</u>	<u>1,210,047</u>	<u>1,274,158</u>	<u>1,237,395</u>	<u>1,223,718</u>	<u>507,093</u>	<u>514,320</u>	<u>590,879</u>	<u>617,770</u>
Total Payments for Year	<u>\$10,009,826</u>	<u>\$10,696,158</u>	<u>\$11,577,854</u>	<u>\$12,615,274</u>	<u>\$12,973,012</u>	<u>\$13,663,339</u>	<u>\$14,057,003</u>	<u>\$14,644,235</u>	<u>\$15,350,479</u>	<u>\$15,801,735</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – LEASED PREMISES

The Taunton Retirement Board leases approximately 1200 square feet of space for its offices located at 40 Dean Street. They signed an initial 5-year lease term (\$19.85 per sq.ft.) which expired January 19, 2012. The lessor is Koss Realty Trust.

A three year lease extension, which expires on January 19, 2015, was signed on February 24, 2012.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of February 24, 2012.

<u>For the year ending:</u>	<u>Annual Rent</u>
2012	\$32,331.00
2013	\$32,331.00
2014	\$32,331.00
2015	<u>\$ 2,694.25</u>

Total future minimum lease payments required \$ 99,687.25

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